JULY 1991

MORTGAGE BANKING

THE MAGAZINE OF REAL ESTATE FINANCE

TAKING A COLD HARD LOOK AT THE FUTURE

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PORTFOLIO

Just the Facts

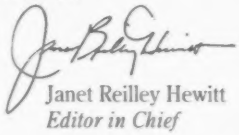
The industry is no doubt tired of the sensational headlines that have aggravated the chill that hangs over the commercial real estate market. The cumulative effect of countless stories about bank failures tied to real estate loans and developers in bankruptcy has made investors even more gun-shy than the facts warrant.

It is probably more important now than ever that the focus be on cold, hard, objective facts—devoid of emotional anecdotes about renegade regulators and huge inventories of thrift-financed, hollow office buildings. The pure unadulterated facts are critical to the turnaround artists who will chart the course of this recovery.

In this issue we tried to package some of the most pertinent facts we could find. Some of them will raise your eyebrows just a bit. Take, for example, this nugget: Currently there is more than one billion square feet of unoccupied office space in this country. That is more than the total existing office stock of the nation's largest market—the MidAtlantic region. The author of this article on the office market outlook says the overbuilding was so severe during the last decade, that "more than half of the U.S.'s 273 metropolitan and rural markets could absorb all of their predicted growth in demand for the next 10 years within vacant space that exists today."

The double whammy, of course, is that the already overbuilt office market is running smack up against a demographically induced decline in job growth—making the absorption process painfully slower. The actual numbers look like this: "Employment-driven demand for new office space will fall to 48 percent of 1980s levels, or 634 million square feet—much less than was constructed during the last 10 years in the South Atlantic and Pacific regions alone."

Those fickle demographics will turn against the multifamily market too. The bailout produced by seemingly endless waves of baby-boom renters will no longer allow projects to thrive that are not sound on the merits. Supply and demand will return as king, and it is demand, really, that will be calling the shots about what can and should be financed in the future. And the way our authors tell it—demand will be pretty hard to find in the 1990s.



Janet Reilley Hewitt
Editor in Chief

EDITOR'S NOTE: There were two errors in the May 1991 article titled "Appraising the Industry" by Vernon Martin III. The proportion of MAIs having bachelors or advanced degrees is 77.5 percent, as per the 1986 Membership Profile published by the American Institute of Real Estate Appraisers. Also, Home Savings of America is based in Irwindale, California.

COMING IN JULY

In August, we will review legislative action in the statehouses and in Washington D.C. that is of interest to mortgage bankers. We will also profile Freddie Mac's swat team of state legislative specialists.

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THE RISE AND FALL OF THE U.S. OFFICE MARKET

ILLUSTRATION BY BETHANN THORNBURGH

The 1980s saw a one-time boom in office construction that will not likely happen again any time soon. Office demand will be radically reduced in this decade by a series of forces that are changing the kind of space sought and the regions where it will be located.

David Birch

More than 40 percent of all the office space ever constructed in the U.S. was built during the past 10 years, due to a series of trends that converged in the late 1970s and 1980s.

This era was marked by an internationalized economy and abundant capital, which fueled one of the biggest booms in U.S. real estate history. Commercial real estate, as a result, was one of the hottest businesses of the decade.

But the boom has ended; let there be no question about it. It seems that every day a new headline reads: "Bank Failure Linked to Real Estate Debt," "Construction Starts Down For Third Quarter," "Improving Your Odds....," "Breathing New Life into...." It is clear by now that the 1990s will be remembered in a very different way.

The opportunities for commercial real estate investment and development in the U.S. are rapidly changing.

CHART 1

Growth in White Collar Occupations

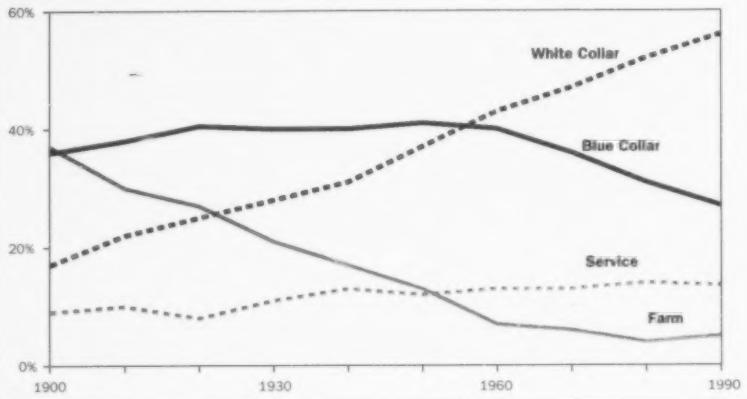
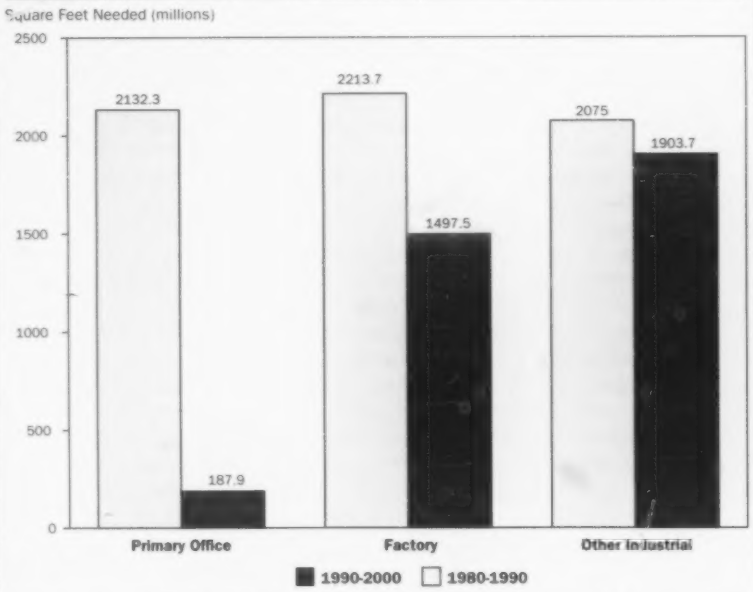


CHART 2

Past vs. Future Construction Need



Those factors that merged to produce the huge boom in the past 10 years will not be present for the next 10. What, then, is the outlook? Now that the rush is over, is there still any gold to be found?

Cognetics, Inc. a research firm based in Cambridge, Massachusetts, has been following the growth and decline patterns of the real estate market for quite some time. The firm recently completed two reports for the National Association of Industrial and Office Parks (NAIOP), the association for commercial real estate development, that provide quantified answers to these questions about what the outlook holds in store. Most recent is the report, "America's Future Office Space Needs: Preparing for the Year 2000." Using a unique forecasting capability based on studies of the actual growth trends of more than 8.3 million businesses, Cognetics has calculated past-versus-future demand for office and industrial space. Comparison of the results—by space type and by location—tells us a good deal about the realistic opportunities for commercial real estate investment and development through the year 2000. And perhaps more importantly, close consideration of the factors underlying the boom of the 1980s tells us a great deal about why it will not be repeated in the remainder of this century.

The bottom line is that the need for construction (including rehabilitation) of office and industrial space will decrease substantially in the next 10 years versus what it has been during the last 10. Not only will the overall rate of demand be lower; it will also be unevenly spread. Unlike the relatively universal demand of the 1980s, the demand of the 1990s will be limited to certain types and qualities of space and specific locations. But because those places and types of space will, in many cases, be very different from the ones most in demand in the 1980s, past performance will be a very poor predictor of future health. And because the factors that will define high versus-low-opportunity are neither simple nor obvious—and in many cases will have almost no direct relationship to real estate—new levels of information and sophistication will be required. In short, a new level of market intelligence regarding each area's scarcest resource—its tenants—will be a key element for success in the office market of the 1990s.

Market trends

To understand why the boom will not repeat, we must understand how it was created. Among the key trends are:

- absorption into the labor force of both the "baby-boom" generation and unprecedented numbers of working women;
- significant changes in the U.S. industry mix;
- major advances in business and office technology;
- increasing levels of international trade;
- skyrocketing rates of entrepreneurial activity.

Accompanying these major trends have been a number of subsidiary effects, including new roles for smaller businesses (often in unexpected industries), shifts in preference for particular types of geographic location and changes in the degree of competitiveness of U.S. industries.

To see how these diverse, and apparently unrelated, trends can have a

tremendous impact on real estate demand, let's focus on one of the most powerful of them: the demographics of the baby boom.

The baby boom produced one of the sharpest increases in U.S. population growth ever experienced; the growth rate peaked at more than 20 percent in the early 1960s. But the boom was followed by a bust, and today, U.S. population growth is at its lowest level since the Great Depression.

In order to absorb the great mass of new baby-boom workers into the labor force, the economy had to produce substantial job growth. Not only that, but once the baby boomers—women, as well as men—became employed, they moved quickly into relatively high-paying jobs and became prodigious consumers, furthering the expansionary trend. Thus, this single, unique demographic effect can be cited as a primary catalyst for unprecedented economic growth in the U.S. during the 1970s and 1980s.

By comparison, there will be very few new workers to absorb into the economy in the 1990s. The growth in the U.S. labor force will drop from a high of 2.4 percent per year in the 1970s to only 1.1 percent per year in the 1990s. Absent a major change in immigration policy, there will be few new jobs to create, simply because virtually every American who wants to is already working.

While the baby boom was a major catalyst for economic growth in general, major shifts in the U.S. industry mix also affected the office market. As seen in Chart 1, the percent of the U.S. labor force employed in white-collar occupations has increased consistently—and dramatically—since the turn of the century. Whereas only 30 percent of Americans held white-collar positions at the outbreak of World War II, nearly 60 percent do today. But again, the trend has reached its peak. During the 1990s, white-collar employment will actually decline slightly as a percent of all U.S. jobs.

Construction demand drops

Demand for construction of commercial real estate will mirror the behavior of the economy, slowing down from the pace of the past 10 years. Even incorporating a conservative set of assumptions, the overall growth in need for construction of all three major types of space (primary office, factory and other industrial) will decline by an average of 45 percent versus the past 10 years—roughly in proportion to the rate of slowdown in total economic growth.

Furthermore, types of office commercial space will not be needed equally. The overall decrease in total construction demand masks declines that range from 9 percent to 93 percent for particular types of commercial space. And, as Chart 2 shows, it is the types of space that were most heavily constructed in the past 10 years that will be the least needed in the decade to come. In the most extreme case, the need for construction of new, primary office space will plummet to less than 10 percent of actual 1980-to-1990 construction levels. Less dramatically, the need for construction of factory space will fall to approximately two-thirds of recent past levels while need for other industrial space (including bulk distribution and flex/R&D/service center) will hold fairly steady at more than 90 percent of 1980-to-1990 construction levels.

The opportunities for commercial real estate investment and development in the U.S. are rapidly changing.

The outlook

The office market's outlook for the 1990s can be summarized by four key observations:

- The overall magnitude of growth in demand will be significantly lower than in the 1980s.
- Not all places will share equally.
- In many cases, the places that will do well in the future are quite different from the "hot" markets of the past.
- The degree to which individual locations are, or will become, overbuilt will have a tremendous impact on their viability.

At a most general level (and as previously cited trends would imply), growth in U.S. office employment in the 1990s will fall to just less than half of 1980s' levels. Whereas more than 4.8 million new office jobs were created in the last decade, the tally for the next decade is just less than 2.3 million. As a result, employment-driven demand for new office space will fall to 48 percent of 1980s' levels, or 634 million square feet—much less than what was constructed during the last 10 years in the South Atlantic and Pacific regions alone.

But in today's largely overbuilt market, the need for space and the need for construction of new space are not necessarily the same. A threefold increase in prevailing average vacancy rates during the past 10 years is symptomatic of the problem. Chart 3 indicates the enormity of today's oversupply. More than one billion square feet of unoccupied office space currently exists—more than the total existing stock of the nation's largest (Mid-Atlantic) market. As a consequence, more than half of this country's 273 metropolitan and rural markets could absorb all of their predicted growth in demand for the next 10 years within vacant space that exists today. Much like the credit-card-driven American consumer, the real estate industry has ransomed tomorrow's growth in order to build today.

But at the same time, the U.S. population is on the move, as seen in recently publicized reports from the U.S. Census Department. The upcoming labor shortage virtually ensures that the location preferences of employable people will dictate where businesses can create jobs and grow. As a result, future need for construction of office space will be very unevenly distributed among places (see Table 1). And the areas that will benefit most are those that are traditionally non-industrial, less expensive and warm. One-third of all employment growth in the 1990s will be located in just three

states: California, Florida and Texas.

The South Atlantic region, which attracted only 20 percent of office construction in the 1980s, will account for a third of construction in the 1990s. Perhaps most shocking, the construction need in two of the nation's biggest regions for existing office space (New England and Mid-Atlantic), including the commercial centers of New York, Philadelphia, Hartford, Stamford and Boston, will be lower than in the small-based Mountain region, where there are not many firms relative to the size of the geographic area.

The biggest individual gainers in the 1990s will include many of the markets that "missed out" on the growth of the 1980s, whether because of severe industrial transitions or the effect of the world market for oil. Included here are recovering industrial cities, such as Canton and Erie and oil-patch areas such as Oklahoma City, Houston, Beaumont and Baton Rouge. On the basis of actual amount of office construction demand, Atlanta will lead the nation with a need for more than 10 million square feet.

But the U.S., as a whole, will need to restructure its office-space market. Even the most liberal scenario produces a rate of construction need that is two-thirds lower than the 2.132 billion square feet built in the U.S. in the 1980s.

The two factors that may work to boost office construction demand in the 1990s are:

- the market's ability to tolerate sustained, high vacancy rates, and
- the need for obsolescence-based construction.

That is, if the markets are willing and able to sustain vacancy rates that are well above the historical tight markets of 6 percent or 7 percent, then the need for office space construction could rise substantially. If the 1990s vacancy rates continue at the 1980 to 1990 average, for example, construction need would approach 500 million square feet. Similarly, if some existing buildings are deemed unusable because of obsolescent technology, location or design, replacement construction could be required.

The biggest individual gainers in the 1990s will include many of the markets that "missed out" on the growth of the 1980s.

Looking forward

In discussing the requirements for successful commercial real estate investment and development in the 1990s, a final thought is in order: the level of demand is not the only aspect that is going to change. For office as well as industrial space, a changing tenant mix will create new challenges for developers and managers alike. Gone are the days when the prime industrial or office tenants were solely Fortune 500 firms. Today's growth companies are smaller, but are often just as sophisticated and demanding as the previous generation of major tenants.

With this in mind, we can point to three key success factors for commercial real estate investors in the 1990s:

Select your sites very carefully.—Growth will be highly selective—not only within regions, but within individual metro areas.

Buildings must be managed with great care.—Tenants will be the commodity of the future and smaller tenants will dominate demand.

Be informed.—In a more competitive marketplace, the best performers will be the best informed.

In the 1990s, success will be a matter of capabilities, not of luck. For the real estate player who selects his or her sites carefully, and comes properly equipped, the opportunities will be there. **MB**

David Birch is president of Cognetics, Inc., a Cambridge, Massachusetts-based marketing and consulting firm and is a faculty member at the Massachusetts Institute of Technology (MIT). This article is based on the findings from the report "America's Future Office Space Needs: Preparing for the Year 2000," commissioned by NAIOP. The author served as the primary researcher and Price Waterhouse provided the principal research grant for this study.

TABLE 1

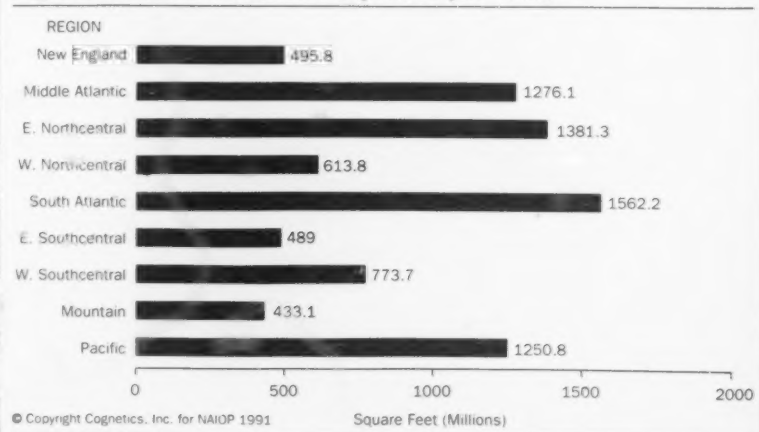
Expected Need for Primary Office Construction: Last 10 Years, Next 10 Years, Ratio of Future/Past
(Conservative Scenario: 6% Vacancy)

Area	Future	Past	Future/ Past Ratio
New England	3.9	148.8	.03
Middle Atlantic	7.6	368.4	.02
East Northcentral	15.8	259.3	.06
West Northcentral	7.3	136.9	.05
South Atlantic	46.1	444.9	.10
East Southcentral	5.3	79.1	.07
West Southcentral	5.4	302.6	.03
Mountain	13.0	118.0	.11
Pacific	33.4	373.3	.09
United States	137.9	2,132.3	.06

(Square feet in millions)

CHART 3

Regional Breakdown of Vacant Primary Office Space: 1990



ECONOMIC TRENDS

In the first quarter of 1991, the delinquency rate for mortgage loans on one- to four-unit residential properties rose to 4.95 percent—up 24 basis points from the fourth quarter of 1990 and 54 basis points from the first quarter of last year. The percent of loans in foreclosure also rose, to 0.97 percent in the first quarter of 1991 from 0.94 percent in the fourth quarter.

These increases were not surprising in light of national economic developments. Even before the economy tipped into recession in July 1990, economic growth was very modest and home price appreciation was sluggish—factors that contribute to rising delinquency and foreclosure problems. Once the downturn began, these factors worsened and the unemployment rate began rising rapidly. Obviously, many borrowers have difficulty meeting mortgage payments when they have lost their jobs.

While the general economic deterioration accompanying the recession affected all regions to some extent during the past year, the impacts were not uniform. Table 1 shows regional patterns in mortgage delinquencies and foreclosures.

Compared to year-earlier levels, the Northeast showed the second-largest increase in delinquency rates of all regions, but the largest increase by far in the percent of loans in foreclosure. The pronounced increase in foreclosure partly reflected the fact that the New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont) economy weakened significantly before the recession began; then was hit by broad-based national economic weakness to boot. That pattern, coupled with declining homes prices in some major markets, created conditions conducive to rising loan problems. Even so, New England still had levels of problem loans that were a bit below the national averages.

TABLE 1

		First Quarter 1991		Change from First Quarter 1990 (Percentage Points)	
		Delinquency Rate	Percent of Loans in Foreclosure	Delinquency Rate	Percent of Loans in Foreclosure
Northeast:	New England	4.02	.98	.81	.61
	Mid Atlantic	4.74	1.15	.62	.25
Midwest:	East North Central	4.79	.92	.28	−.04
	West North Central	3.79	.88	.31	−.07
South:	South Atlantic	5.25	.98	1.02	.13
	East South Central	6.37	1.00	.77	−.03
	West South Central	6.10	1.61	.12	−.20
West:	Mountain	5.08	1.47	.24	−.31
	Pacific	3.29	.44	.30	−.16

The Mid-Atlantic states (New Jersey, New York and Pennsylvania) experienced similar, but not quite as severe, increases in problem loans.

Meanwhile, the Midwest fared pretty well. In both the East North Central (Illinois, Indiana, Michigan, Ohio and Wisconsin) and West North Central (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota) regions, delinquency rates rose relatively modestly, while the percent of loans in foreclosure actually fell. The reasons are straightforward. The economies of the states in the Midwest are weathering the recession fairly well, and home prices, which did not surge during the mid- to late-1980s as they did in other parts of the country, have continued to rise modestly, not fall.

In the South, there was significant diversity. In the South Atlantic region (Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia and West Virginia), the delinquency rate rose more than any other region. These eastern seaboard states are experiencing some of the same disproportionate slowdown that has plagued the Northeast. Further, the national weakness in the housing sector hit some of these states extremely hard because housing-related manufacturing (e.g., furniture, carpeting, etc.) is concentrated in some of these states.

On the other hand, another part of the South—the West South Central region, which includes Arkansas, Louisiana, Oklahoma and Texas—had the smallest increase in their delinquency rate and one of the largest decreases in the percent of loans in foreclosure. The reason is that the energy states are gradually coming back from the extremely depressed conditions of the mid-1980s—depressed conditions brought about by the collapse of energy prices.

The final region in the South—the East South Central region, which includes Alabama, Kentucky, Mississippi and Tennessee—fared somewhere in between the other two regions in the South. The delinquency rate went up sharply, but the percent for loans in foreclosure declined modestly.

The West, as a whole, performed relatively well. In both the Mountain (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah and Wyoming) and the Pacific (Alaska, California, Hawaii, Oregon and Washington) regions, delinquency rates rose very little and the percent of loans in foreclosure fell. Part of the explanation is that rapid home price appreciation in a number of these states in recent years created a substantial equity buffer. The fact remains that equity is the single most important factor in mitigating loan problems generally, and foreclosures in particular.

Tom Holloway
Senior Economist

VITAL STATISTICS

KEY ECONOMIC INDICATORS AND INTEREST RATES

	CHANGES IN PAYROLL EMPLOYMENT (THOUSANDS)	UNEMPLOYMENT RATE (%)	CHANGES IN CONSUMER PRICES FROM YEAR AGO LEVELS (%)		MORTGAGE INTEREST RATES (%)		
			ALL ITEMS	ALL ITEMS LESS FOOD AND ENERGY	SECONDARY MARKET YIELD ON FHA NEW HOME MORTGAGES[1]	FHLMC ARMs	FHLMC FRMs
MAY-90	440	5.3	4.4	4.8	10.49	8.59	10.48
JUN-90	212	5.3	4.7	4.9	10.21	8.49	10.16
JUL-90	−89	5.5	4.8	5.0	10.15	8.43	10.04
AUG-90	−127	5.6	5.6	5.5	10.20	8.35	10.10
SEP-90	−1	5.7	6.2	5.5	10.26	8.28	10.18
OCT-90	−180	5.7	6.3	5.3	10.24	8.21	10.18
NOV-90	−267	5.9	6.3	5.3	10.02	8.10	10.01
DEC-90	−161	6.1	6.1	5.2	9.74	7.93	9.67
JAN-91	−191	6.2	5.7	5.6	9.62	7.74	9.64
FEB-91	−286	6.5	5.3	5.6	9.58	7.65	9.37
MAR-91	−241	6.8	4.9	5.2	9.59	7.47	9.50
APR-91	−124	6.6	4.9	5.1	NA	7.38	9.49
MAY-91	NA	NA	NA	NA	NA	7.22	9.47

RATES ON SELECTED SECURITIES (%)

	FEDERAL FUNDS RATE	PRIME COMMERCIAL PAPER (3-Month)	U.S. GOVERNMENT				A-Rated Utility
			6-Month	1-Year	3-Year	10-Year	
MAY-90	8.18	8.25	7.76	8.32	8.69	8.76	10.04
JUN-90	8.29	8.14	7.63	8.10	8.40	8.48	9.85
JUL-90	8.15	7.99	7.52	7.94	8.26	8.47	9.96
AUG-90	8.19	7.98	7.38	7.78	8.22	8.75	10.29
SEP-90	8.20	7.96	7.32	7.76	8.27	8.89	10.28
OCT-90	8.11	7.98	7.16	7.56	8.07	8.72	10.23
NOV-90	7.81	7.91	7.03	7.31	7.74	8.39	10.07
DEC-90	7.31	7.80	6.70	7.05	7.47	8.08	9.95
JAN-91	6.91	7.10	6.28	6.64	7.38	8.09	9.83
FEB-91	6.25	6.49	5.93	6.27	7.08	7.85	9.54
MAR-91	6.12	6.41	5.92	6.40	7.35	8.11	9.58
APR-91	5.91	6.07	5.71	6.24	7.23	8.04	9.46
MAY-91	5.78	5.92	5.61	6.13	7.12	8.07	9.45

CURRENT SECONDARY MARKET YIELDS (%)

	GNMA[2]	FNMA[2]	FHLMC[2]
MAY-90	9.99	9.93	9.92
JUN-90	9.73	9.73	9.72
JUL-90	9.66	9.66	9.66
AUG-90	9.80	9.75	9.75
SEP-90	9.86	9.79	9.73
OCT-90	9.84	9.80	9.69
NOV-90	9.63	9.66	9.54
DEC-90	9.22	9.27	9.16
JAN-91	9.17	9.24	9.12
FEB-91	8.81	8.86	8.77
MAR-91	9.00	9.03	8.93
APR-91	8.95	8.98	8.88
MAY-91	8.94	8.95	8.86

SPREADS
(Basis Points)

	GNMA Minus 10-Yr. Govt.	FNMA Minus 10-Yr. Govt.	FHLMC Minus 10-Yr. Govt.
MAY-90	123	117	116
JUN-90	125	125	124
JUL-90	119	119	119
AUG-90	105	100	100
SEP-90	97	90	84
OCT-90	112	108	97
NOV-90	124	127	115
DEC-90	114	119	108
JAN-91	108	115	103
FEB-91	96	101	92
MAR-91	89	92	82
APR-91	91	94	84
MAY-91	87	88	79

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED
By Type of Institution and By Type of Unit
(Millions of Dollars)

	1-4 UNITS					5+ UNITS					NONRESIDENTIAL				
	Total[3]	Mortgage Bankers	Savings & Loans[4]	Commercial Banks	Life Companies	Total[3]	Mortgage Bankers	Savings & Loans[4]	Commercial Banks	Life Companies	Total[3]	Mortgage Bankers	Savings & Loans[4]	Commercial Banks	Life Companies
MAY-90	37,255	9,420	13,183	14,231	27	2,453	297	1,061	874	39	15,412	110	640	10,905	2,657
JUN-90	38,428	9,714	13,209	15,063	29	2,778	209	989	682	182	16,411	105	666	12,303	3,097
JUL-90	35,524	9,627	12,020	13,461	30	2,082	165	871	696	209	16,222	98	476	12,525	2,984
AUG-90	35,777	10,359	12,940	12,032	34	2,582	106	950	1,243	92	18,967	107	650	14,783	2,994
SEP-90	34,210	9,825	10,617	13,347	36	2,008	178	855	608	112	20,231	102	577	16,100	3,343
OCT-90	35,229	12,128	11,317	11,395	37	1,719	41	843	606	28	13,941	99	551	10,049	3,041
NOV-90	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

HOUSING ACTIVITY

RESIDENTIAL STRUCTURES

(Units in Thousands, Seasonally Adjusted Annual Rates)

	BY TYPE OF UNIT						BY REGION							
	HOUSING STARTS			BUILDING PERMITS			HOUSING STARTS				BUILDING PERMITS			
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Northeast	Midwest	South	West	Northeast	Midwest	South	West
MAY-90	1,208	935	273	1,088	859	229	128	255	486	339	126	222	416	324
JUN-90	1,187	931	256	1,123	850	273	114	241	532	300	124	229	425	345
JUL-90	1,155	907	248	1,086	839	247	115	226	492	322	115	228	421	322
AUG-90	1,131	865	266	1,055	817	238	122	240	434	335	114	221	405	315
SEP-90	1,106	893	213	989	778	211	104	239	445	318	111	218	385	275
OCT-90	1,026	861	165	925	747	178	144	230	392	260	114	194	360	257
NOV-90	1,130	823	307	916	710	206	147	232	483	268	108	194	366	248
DEC-90	971	768	203	854	689	165	110	233	395	233	99	181	338	236
JAN-91	847	677	170	802	651	151	86	167	361	233	96	188	306	212
FEB-91	992	825	167	876	739	137	91	301	384	216	99	205	353	219
MAR-91	901	762	139	892	734	158	98	224	389	190	96	204	340	252
APR-91	957	819	138	913	787	126	96	231	392	238	102	210	361	240
MAY-91	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

HOME SALES

(Units and Prices in Thousands)

	EXISTING HOMES		NEW HOMES		
	Sold (SAAR)	Median Sales Price (Dollars)	Sold (SAAR)	Median Sales Price (Dollars)	Months Supply At Current Sales Rate
MAY-90	3,350	95.2	535	125.0	8.2
JUN-90	3,370	98.9	549	125.0	7.9
JUL-90	3,320	98.1	541	118.7	8.0
AUG-90	3,410	97.2	525	118.4	8.1
SEP-90	3,160	94.4	504	113.0	8.4
OCT-90	3,070	92.9	465	120.0	8.7
NOV-90	3,150	92.0	480	118.9	8.2
DEC-90	3,130	91.7	464	127.0	8.4
JAN-91	2,900	95.6	414	117.9	9.3
FEB-91	3,160	94.0	489	120.0	8.0
MAR-91	3,220	98.2	494	123.3	7.4
APR-91	3,330	102.0	500	122.0	7.4
MAY-91	NA	NA	NA	NA	NA

VALUE OF NEW PRIVATE CONSTRUCTION PUT IN PLACE

(Units in Billions of 1987 Dollars, Seasonally Adjusted Annual Rates)

	Total[5]	1-Unit	2+ Units	Nonresidential
MAY-90	303.9	105.7	19.1	93.5
JUN-90	299.1	101.8	17.0	95.4
JUL-90	298.5	99.9	16.9	98.4
AUG-90	290.5	97.6	16.9	93.2
SEP-90	286.1	95.1	16.7	91.9
OCT-90	279.3	93.5	17.0	89.2
NOV-90	272.4	90.6	16.0	86.8
DEC-90	267.0	87.7	16.6	86.7
JAN-91	264.2	82.9	15.7	86.3
FEB-91	259.5	80.1	15.1	86.7
MAR-91	254.9	77.9	15.0	82.9
APR-91	257.4	78.8	13.1	86.2
MAY-91	NA	NA	NA	NA

NA—Not Available; SAAR—Seasonally Adjusted Annual Rate

[1]Secondary market gross yields. Numbers shown for each month are the average of yields from the first day of the month shown and the first day of the subsequent month.

[2]Securities for 0- to 30-day delivery.

[3]In addition to the categories shown, the total also includes private pension funds, private MBS conduits, state and local retirement funds, federal credit agencies, mortgage pools, and state and local investment agencies.

[4]Savings & Loans and Mutual Savings Banks.

[5]In addition to the categories of private construction shown, the total also includes these categories: residential improvements, railroads, electric light and power, gas, telephone and telegraph, petroleum pipelines, and farm nonresidential.